



Hong Kong: Software-as-a-Service (SaaS)

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Summary

Over the past few years, the Software as a Service (SaaS) delivery model has been steadily gaining awareness and momentum in Hong Kong. Springboard Research estimates the size of Hong Kong's SaaS market at US\$37 million in 2009, and forecasts it to almost triple to US\$93 million by 2012. The pursuit of information technology (IT) cost savings in response to the global economic crisis is the key factor believed to be driving the impressive growth of SaaS. U.S. SaaS vendors in Hong Kong enjoy a competitive advantage over suppliers from other countries for their perceived superior technology and brand recognition.

Market Demand

A "SaaS in Hong Kong" survey conducted by IDC (International Data Corporation) in August 2009 revealed that Hong Kong's small and medium-size businesses are more receptive to SaaS than the rest of Asia, with 26% of respondents in Hong Kong either currently using or exploring the use of SaaS compared to only 8% for the rest of the region. According to a recent report by Springboard Research, enterprise spending on SaaS in Hong Kong is expected to grow annually at a rate of 41% between 2008 and 2012, pushing the market to US\$93 million by 2012.

The world economic downturn is driving businesses to find new ways to reduce costs and improve productivity, and Software-as-a-Service is becoming an increasingly attractive option. Local industry observers cited low upfront investment cost as the primary driver for local SaaS adoption. SaaS enables enterprises to try out new applications before making a major investment in purchasing and implementing a new system enterprise-wide. An additional benefit of SaaS is its relatively short deployment lead time, which enables enterprises to respond quickly and dynamically to the fast-changing business environment.

Even though Hong Kong is relatively receptive to SaaS, local industry experts believe that SaaS adoption in Hong Kong is still in its early stages because local deployment of SaaS applications has been mainly for isolated applications such as email, Web conferencing, and collaboration software, instead of for integrated enterprise solutions. The adoption of isolated applications rather than integrated enterprise solutions reflects users' concerns about SaaS's data reliability and security. Given these concerns, U.S. vendors seeking to develop their business in Hong Kong should include in their business development plans resources to address client concerns and educate them about the best ways to derive the full benefits of SaaS.

Market Data

SaaS Market in Asia Pacific (excluding Japan)

Year	US\$ Million	Growth Rate (%)
2008	\$501	
2009	\$785	56%
2010	\$1,169	49%
2011	\$1,631	40%
2012	\$2,265	39%

Source: SpringBoard Research

SaaS Market in Hong Kong

Year	US\$ Million	Growth Rate (%)
2008	\$24	
2009	\$37	54%
2010	\$53	43%
2011	\$70	32%
2012	\$93	33%

Source: SpringBoard Research

Best Prospects for Hong Kong

The best business prospects for U.S. SaaS vendors in Hong Kong are for collaborative and business applications such as the items listed below:

- Collaborative Applications — Email, Web Conferencing, Messaging, and Instant Messaging
- Business Applications — Custom Relationship Management (CRM), Enterprise Resources Planning (ERP), and Supply Chain Management (SCM), and Business Intelligence (BI)

Key Suppliers

The table below lists the key suppliers of SaaS in Hong Kong, their product offerings, and country of origin.

SaaS Providers	Application	Country of Origin
Alibaba (Alisoft)	CRM	Listed in HK, HQ in China
Citrix Online	Collaboration	US (office in HK)
Evermore	Web office	China
Google Apps	Collaboration, Documents Management	US (office in HK)
Halogen	Human Resources	No presence in HK
HKNet	Collaboration, Security	Hong Kong
IBM	Collaboration	US (office in HK)
Kenexa	Human Resources	US (no presence in HK)
Microsoft	Collaboration, CRM	US (office in HK)
Netsuite	ERP, Financials, CRM, Ecommerce, Business Intelligence	US (office in HK)
Oracle	Collaboration, CRM	US (office in HK)
Salesforce.com	CRM	US (office in HK)
Softscape	HR	US (office in HK)
StepStone	HR	US (office in HK)
Success Factors	Performance Review Management	US (office in HK)
SugarCRM	CRM	US (partners in HK)
Sumtotal	Talent Development Solutions	US (partners in HK)
Taleo	Recruitment and Human Resources Management	US (no presence in HK)
Webex (a Cisco Co)	Collaboration, Web conference	US (office in HK)

Prospective End Users

The IDC study on “SaaS in Hong Kong” surveyed 250 Hong Kong-based organizations with fewer than 500 employees to ascertain the motives behind local enterprises adopting SaaS. The organizations surveyed spanned several key industries including finance/banking/insurance, manufacturing, professional services, retail/wholesale, and transportation/logistics.

In terms of company size, the study found that the highest SaaS adoption rate was higher among larger firms with 250-499 employees. IDC believes that these larger firms have adopted a SaaS earlier than smaller firms because they have more resources to deploy new IT operational models than small firms. However, IDC expects that small companies with fewer than 25 employees have the highest potential for future SaaS adoption. Twenty percent of small firms surveyed expressed that are either exploring or planning to use the SaaS delivery model, due to SaaS's appeal to these firms because of their more limited IT budgets and personnel. Therefore, small enterprises are expected to quickly adopt SaaS once they are confident in the maturity and reliability of SaaS.

In terms of industries, the study found that the retail and wholesale sectors have the highest current adoption rate at 18%, followed closely by the financial sector at 15%, and manufacturing sector at 14%. The financial sector expressed the highest intention for future adoption, with about 18% of financial firms citing plans to study or subscribe to SaaS.

In terms of applications, the study revealed that the most widely adopted types of software among current SaaS users are collaborative applications, particularly email (26%) and Web conferencing (15%). Respondents who expect to be future SaaS users expressed that the types of SaaS applications they plan to use include Web Conferencing (26%), email (25%), instant messaging (23%), and business applications, such as CRM, ERP and SCM (17%).

Market Entry

To sell to Hong Kong, suppliers should establish local presence. Compared to companies in the U.S. and Europe, Hong Kong companies are relatively conservative in their software purchasing practices. Hong Kong firms almost always choose vendors with a physical presence over one that does not. Most technology deals in Hong Kong are done face-to-face either directly with the vendors or with their partner distributors or resellers.

Most U.S. SaaS vendors in Hong Kong sell through distributors and value-added-resellers (VARs). Working with agents and distributors in Hong Kong is very much like working with an agent in the United States. Hong Kong has no special legislation regarding agents and distributors. Virtually anything that both sides can agree to and can put into a written contract is acceptable and enforceable, including restrictions on territory and a grace period for termination of the agreement.

Hong Kong agents and distributors can also help U.S. firms, particularly small and medium enterprises, succeed in China. Many Hong Kong firms have a wealth of experience trading with the PRC and have set up offices in key cities such as Beijing, Shanghai, Guangzhou, and some also cover the Macau market.

In addition to having a local market presence, other top decision-making criteria expressed by Hong Kong's SaaS adopters include price, performance, and availability. These criteria reflect the local market's anxiety about whether the SaaS delivery model would compromise on critical factors such as reliability and security. Vendors should provide further assurance in their Service-Level Agreements (SLAs) to address these concerns to give peace-of-mind to their SaaS clients.

Trade Events

There are two main information technology events relevant to SaaS suppliers in Hong Kong:

Cloud Computing Summit

Date: December 9, 2009

Venue: Hong Kong Convention & Exhibition Center

Organizer: Market Intelligence Group

Website: www.cloud-summit2009.com

International ICT Expo

Date: April 13-16, 2010

Venue: Hong Kong Convention & Exhibition Center

Organizer: Hong Kong Trade Development Council

Website: <http://ictexpo.hktdc.com>

Resources & Contacts

The following organizations and publications are good sources of information about and contacts in the Hong Kong IT market.

Associations:

- Hong Kong Wireless Technology Industry Association (www.hkwtia.org)
- Hong Kong Information Technology Federation (www.hkitf.org)
- Office of the Telecommunications Authority (www.ofta.gov.hk)

ICT Journals in Hong Kong:

- TelecomAsia (www.telecomasia.net)
- ComputerWorld Hong Kong (www.cw.com.hk)
- Hi-Tech Weekly (best-selling Chinese language magazine) (www.hitechweekly.com)

For More Information

The U.S. Commercial Service in Hong Kong can be contacted via e-mail at: fanny.chau@mail.doc.gov; Phone: (852) 2521-1467; Fax: (852) 2845-9800; or visit our website: www.buyusa.gov/hongkong.

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